



TOP STORIES

VIRTUAL CURRENCIES

Cryptocurrencies: Japan sanctions Coincheck exchange after massive NEM coin heist

Japan's regulators have ordered improvements to Tokyo-based Coincheck's operations. Hundreds of millions of NEM coins were lost in a massive cryptocurrency heist.



Japan's Financial Services Agency has imposed a "business improvement order" on Coincheck, one of the country's biggest virtual currency exchanges, government spokesman Yoshihide Suga said on Monday.

"While examining the cause of the incident and taking necessary measures, we want the ministries and agencies concerned to urgently study what further measures we'd need," he told reporters.

At a briefing on Monday, the FSA said it would look into all crypto exchanges to detect security weaknesses. Japan's finance minister, Taro Aso, told parliament on Monday that the government would take "necessary administrative measures, including an on-site inspection."

Police were also going to look into the incident, the Kyodo news agency reported.

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Last Friday, \$530 million (€427 million) worth of the cryptocurrency New Economy Money (NEM) – the 10th biggest worldwide - were lost when hackers managed to get hold of the virtual coins. It was more than the \$480 million in bitcoin stolen from Japan's MtGox exchange in 2014.

Hot vs cold wallets

The hacker took advantage of Coincheck's lax security protocols. Customers' assets were kept in what's known as a hot wallet, which is connected to external networks.



'Bitcoin has paved the way for others' says blockchain specialist

A so-called cold wallet, however, is preferable, as they are not connected to the outside world and are thus less vulnerable to fraud.

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Coincheck said it would use its own funds to reimburse around 90 percent of the coins lost.

Japan is a leading market for cryptocurrencies, with nearly one-third of all December transactions of the popular virtual currency bitcoin denominated in yen, according to specialist website [jpbitcoin.com](#).

Roughly 10,000 businesses in Japan apparently already accept bitcoin as a payment method.

Virtual currencies have come under fire from [traditional banks](#), [politicians and authorities](#), who are all calling for more regulation

and have warned investors to be careful of investing in cryptocurrencies.

In the wake of the MtGox scandal, Japan passed a law on cryptocurrencies that requires exchanges to be regulated by the FSA. It went into effect last year. Coincheck has not yet received a license, but was allowed to continue to operate.



ng/kms (Reuters, AFP)

BITCOIN: WHERE IT CAME FROM AND WHERE IT'S HEADED

Good time to start a currency

Introduced in 2009, Bitcoin was the world's first decentralized digital currency. It quickly gained traction amid lingering uncertainty in the wake of financial crisis. Designed to be as rare as gold, Bitcoin was created to have a maximum of 21 million "coins." Initially worth just a fraction of a cent, by February 2011 the currency had gained parity with the US dollar, then it really took off.

DW RECOMMENDS

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Bitcoin's dramatic gains have continued this week but it remains prone to wild fluctuations in value. The French central bank has entered the fray — they say it is not a currency and has no economic basis. (01.12.2017)

Bitcoin, cryptocurrencies — how do they work?

Cryptocurrencies have grabbed a lot of attention in recent days as the value of bitcoin skyrocketed to hit record highs and Venezuela announced plans to create a digital currency called "petro." (06.12.2017)

South Korea prepares cryptocurrency trading ban

South Korea's Justice Ministry has said it's preparing a bill to ban cryptocurrency trading, throwing the virtual coin market into turmoil. The nation has been a crucial source of Bitcoin demand. (11.01.2018)

Initial coin offerings: What are they?

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What is a cryptocurrency?

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